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NORTHERN OHIO

TELEPHONE

COMPANY



NORTHERN OHIO TELEPHONE COMPANY

General Offices

117 North Sandusky Street

Bellevue, Ohio

Directors

ALLAN G. AIGLER
Bellevue, Ohio

HERMANN H. THORNTON
East Lansing, Michigan

ROBERT T. CAMPBELL
Galion, Ohio

FRED W. UHLMAN
Bowling Green, Ohio

HERBERT A. ERF
Cleveland, Ohio

DUDLEY A. WHITE
Norwalk, Ohio

WILLIAM C. HENRY
Norwalk, Ohio

JOHN E. WISE
Norwalk, Ohio

Officers

Chairman of the Board—ALLAN G. AIGLER

President and General Manager—WILLIAM C. HENRY

Vice President—JOHN E. WISE

Secretary and Treasurer—WILLIAM H. TODD



Ashland District Office

Northern Ohio Telephone Company is the second largest Independent (non-Bell) operating telephone company in Ohio, providing service in all or in parts of twenty-six counties of the North Central portion of the State. The 179 Independent telephone companies in Ohio serve, as of the end of 1952, seventy-two per cent of the land area of the State, including 2400 cities, villages and hamlets with more than 626,000 telephones.

Annual Report for the Year 1952

To The Shareholders:

This Company provides telephone service in twenty-six counties of North-Central Ohio, comprising an area in which there is widespread business activity. In this territory the density of population and the level of the average income of both urban and rural families is substantially greater than the average for the State. These factors combined have resulted in a continuing demand for additional local exchange and long distance telephone service. In addition we have pursued an aggressive program of improvement in service to this Company's existing subscribers, which made the year 1952 one of sustained activity. As the year closed there were some indications that the steady cycle of inflation, that has increased our operating costs so greatly over the past six years, may now be leveling out on the present existing high plateau.

The year 1952 was the twenty-fifth full year of operations of Northern Ohio Telephone Company and the fifty-third year for this Company and its predecessor, The Local Telephone Company, which began furnishing telephone service in Huron County in 1898 with a total of 67 subscribers.

Total Telephones and Toll Service

At the close of last year this Company had connected a total of 79,773 telephones, representing a net increase for the twelve months of 4320 stations, or 5.72 per cent. Almost one-third of the stations gained were rural installations. It is these rural telephones, many of them in areas not previously served, that require the most time, material and money to connect. Telephones served at the end of 1942 were 32,976 representing a gain in the ten-year period of 141.9 per cent.

New applications for service were received almost as fast as older orders could be installed. On December 31, 1952 we had on file 1,664 applications for service, all but 23 of them in rural areas, which we were unable to connect to existing

facilities. In addition there is a strong demand for an improved grade of service, which is expressed by requests for individual line residence service in towns and individual line business service in rural areas.

In each succeeding year for the past fifteen we have experienced an increase in the volume of long distance traffic. A new high of 5,470,947 originating toll calls were handled to completion by our toll operators during 1952. The increase of 346,376 messages over the previous year was equal to 6.76 per cent.

Operating Revenues

Total telephone operating revenues for the year amounted to \$4,467,373.03, or \$291,338 and 6.98 per cent more than in 1951.

Revenue from subscribers' local exchange service increased by \$152,631 to \$2,603,991.29. Toll service revenue was \$110,669 more, and amounted to \$1,666,401. Gross toll or long distance revenue was \$21.47 for each of the average number of stations in service last year, and income from long distance calls is now 64 per cent of the total amount received for local exchange service. Revenue from the sale of advertising in our telephone directories was up \$28,709, or almost 20 per cent, to a total of \$171,183.50. The reserve set aside for uncollectible revenue for the year was less than three-tenths of one per cent.

Operating Expenses

Total telephone operating expenses in 1952 were \$2,224,560.67, or \$366,944.44 and 19.75 per cent more than the previous twelve months.

Maintenance expense was up \$142,581 and amounted to \$736,850.85 for the year. Traffic expense increased by \$52,342 to \$874,080.78, and commercial expense was \$39,057 more, and amounted to \$258,478.99. General office expense decreased by \$4,578 to \$151,249.89, and other operating expense jumped \$137,542 to \$203,900.16 for the year. The increases in the operating expense accounts were due primarily to



Rebuilding at Grand Rapids

increased hourly wage rates paid employees, which increased our labor costs by more than \$103,000 in 1952, the addition of eight maintenance and installation trucks to further improve our repair service, and unusual storm damage due to the cyclone in the Norwalk District last June. In addition other operating expenses were increased in the amount of \$97,454 last year by reason of the placing in effect of a Pension Benefit Plan for all employees of the Company who had a continuous service record back to January 1, 1927.

There was set aside to provide for annual depreciation of plant and equipment the sum of \$567,283.61 in 1952. This represents an increase of \$70,748 over 1951 by reason of the large increase in the total invested in telephone plant. The rate of depreciation on depreciable property for the past year was 3.89 per cent.

Taxes Paid

Operating taxes—county, state excise and Federal income—for last year were \$993,210.04. Because of the substantial decrease in net operating revenue total taxes were \$64,349 less than for 1951. They were however almost two times the



Medina Toll Switchboard

total amount of net income available to stockholders for dividends and surplus. Taxes paid by the Company out of income were equal to \$12.45 for each telephone in service. In addition to these direct operating taxes, this Company collected from its subscribers Federal excise taxes of 15 per cent on exchange service and 15 or 25 per cent on toll service, in the amount of \$889,059.56, which was paid into the U. S. Treasury. Operating taxes paid by the Company and the high excise taxes collected from its subscribers were in the total amount of \$24.38 for each telephone in service last year, or just over \$2.03 per telephone per month.

Net Income Remaining

Net income available for fixed charges was \$683,756.73 for 1952, which was \$68,069 less than in 1951. The Company earned 4.11 per cent on the average amount invested in telephone plant and equipment for the year. The decline in net income made it necessary for the Company to seek a repricing of its exchange services in relation to present day costs of operation.

Fixed charges for First Mortgage Bonds, other interest payments and debt amortization required \$160,119.81. This

was an increase of \$25,410 by reason of extensive temporary borrowings pending the issuance of long-term capital obligations on November 1, 1952. Net income available for dividends to stockholders and for surplus was \$523,636.92—a decrease of \$93,479 from the previous year. Dividends in their full annual amount were paid on the three issues of preferred stock. This is the 53rd consecutive year in which this Company and its predecessor have paid regular dividends on its preferred stock. Common dividends of 80 cents per share were paid and \$108,494.33 was carried to the surplus reserved for future contingencies as compared with \$239,762.90 carried to surplus for the year 1951.

Plant in Service and New Capital

Additions to telephone plant during the twelve months were \$2,823,048.36 and removals from plant were \$1,007,964.-84, resulting in net additions of \$1,815,083.52. This is the largest increase in our telephone plant account for any twelve



Underground Cable at Delaware

months. At year end the book value of our total telephone plant was \$17,668,434.04. This amount represents an investment of \$221.48 for each telephone in service. At the end of 1942, ten years ago, our average plant investment per telephone was \$162.95. As existing plant is replaced with new plant at present day prices and normal margins in plant are restored, the investment per telephone will continue to increase.

The tremendous increase in telephone plant necessitated the securing of additional capital funds. On April 1, 1952 an issue of 5 per cent preferred stock was offered by letter to our stockholders and subscribers, at its par value of \$100 per share. The entire issue of \$1,050,000 was sold. The number of shareholders, both common and preferred, was 2,350 at the end of 1952 as compared with 750 ten years ago. As of November 1, 1952 an additional issue of First Mortgage Bonds in the principal amount of \$1,800,000, bearing a coupon rate of 3.5 per cent, were sold at par to four institutional organizations.

Service Improvements

Marked progress was made over the past year in improving the Company's general standard of service to its subscribers. Our largest exchange, Ashland, with 7,356 telephones, was converted from manual to automatic operation on May 27th, and the Grafton exchange with an even 500 telephones, received dial service on December 16th. Of the 64 separate exchanges of this Company, 55 exchanges serving 72,725 telephones, or 91.16 per cent provided dial service at the year end; 6 exchanges with 5,646 telephones, or 7.08 per cent furnished common battery manual service; while 3 exchanges and 1,402 stations with 1.76 per cent of our total telephones, had magneto service.

The equipment required to provide for operator toll dialing was completed at our Delaware, Ashland and Bowling Green toll centers. All nine of this Company's toll center exchanges and thirty-four of our tributary exchanges are now integrated with the Bell Telephone System's nation-wide operator toll dialing network. Approximately sixty per cent of the toll

messages placed by our subscribers are now completed by our long distance operators dialing over automatic switching equipment straight through to the called telephone.

Rate Case Application

The spiral of increased operating cost and rising taxes for the past several years, with a fixed level of exchange telephone rates, resulted in a decline in our net earnings. To correct this situation we filed with The Public Utilities Commission of Ohio on July 1, 1952, our application for an upward adjustment in the level of rates for telephone service in the annual amount of \$715,000. After investigation by the Commission's engineers and accountants and a series of formal hearings, the Secretary of the Commission issued a report in which he found that a minimum value, after depreciation, of property and plant of this Company, as of May 1, 1952 was not less than \$18,300,000, and that the new rates applied for would provide an earning on this value of 5.11 per cent. We are awaiting the formal order of the Commission authorizing the placing in effect of new exchange rates at all of our exchanges.

Wages are the largest single item of expense of a telephone company. The cycle of increased costs of living has required an increase in the hourly rates of pay of our employees in each of the past seven years. New Labor Agreements effective December 31, 1951 increased labor costs by \$103,000 for the year 1952. Total wages paid to 504 women and 175 men employees for the year were \$1,622,089.87. Ten years ago we employed 211 women and 80 men, and our annual payroll was \$374,566.82. At the end of 1952 this Company had \$26,021.26 of capital invested in telephone plant for each regular employee.

Immediate Objectives

There are indications of a slacking in the post World War II boom. It is probable that we are approaching a period in which business activity may continue a sidewise movement or perhaps experience some slight decline. Telephone service however has become so much a part of the average every-day life of a vast majority of the population and long distance

communication such a fast, convenient and reasonable method of transacting business that there has been, as yet, no signs of a decrease in the demand for more and better telephone service. Under these conditions plant expenditures for additions and improvements to service must continue.

The provision of a telephone for all applicants in our area, rural as well as urban, who desire service continues to be our immediate responsibility. The requests for upgrading of party line to independent line service will require substantial additions to plant and equipment. The completion of our program of converting all exchange service to dial operation should be pursued and additions to a large number of our own toll line circuit groups is required. In the minds of the public we, as an Independent Telephone Company, are measured by the standard of telephone service which is provided by The Bell System. This requires that we press forward to improve and expand our service with courage and increased vigor, using Seven League Boots.

At the beginning of a new year, we have reason to believe that we are to have a wiser and more wholesome capacity in



Commercial Office at Oak Harbor



Operator's Lounge at Galion

government, with an encouraging environment to that good citizenship which is marked everywhere by the virtues of patriotism, industry, prudence and thrift. We believe that with courageous and able leadership this nation can and will meet successfully the grave challenges which confront us in this era of continuing crisis. It will be our purpose to provide a communications service which adequately meets the needs of the area we serve.

Sincerely,

A handwritten signature in dark ink, appearing to read "Wm. C. Henry". The signature is fluid and cursive, with a large initial "W" and a long, sweeping tail.

Wm. C. Henry,
President and General Manager

Bellevue, Ohio
March 25, 1953

NORTHERN OHIO TELEPHONE

COMPARATIVE BALANCE SHEET

ASSETS

	Dec. 31, 1952	Dec. 31, 1951
Plant and Other Investments		
TELEPHONE PLANT IN SERVICE—NOTE A	\$17,664,757.49	\$15,618,260.14
Comprises land, buildings, rights-of-way, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, motor equipment and tools	2552 15,112	
TELEPHONE PLANT UNDER CONSTRUCTION—AT COST	97,389.82	315,200.24
UNAMORTIZED PORTION OF ORGANIZATION EXPENSE	3,676.55	8,476.55
OTHER INVESTMENT	21,728.70	21,728.70
Stock owned in other telephone company		
	<u>\$17,787,552.56</u>	<u>\$15,963,665.63</u>
Current Assets		
CASH	\$ 389,235.33	\$ 376,059.67
SPECIAL DEPOSITS	8,429.90	6,920.02
Payroll account and Industrial Commission deposit		
SINKING FUNDS	17,333.34	30,333.34
Amortization of mortgage bonds over 30 year periods		
WORKING FUNDS	4,840.00	1,495.20
UNITED STATES GOVERNMENT SECURITIES—AT COST (quoted market approximately \$795,000.00)	794,295.83	—0—
NOTES AND LAND CONTRACT RECEIVABLE	5,593.21	14,919.44
ACCOUNTS RECEIVABLE	308,080.11	281,614.11
Amounts due for service, toll settlements, and miscellaneous items (less reserve for uncollectible accounts)		
MATERIALS AND SUPPLIES	842,289.93	849,669.79
Principally for construction and maintenance purposes		
	<u>\$ 2,370,097.65</u>	<u>\$ 1,561,011.57</u>
Deferred Charges		
PREPAYMENTS	\$ 24,130.95	\$ 28,112.46
Insurance, automobile licenses, rents, and other expenses applicable to period after close of year		
DISCOUNT ON FUNDED DEBT	41,196.33	24,305.46
Net balance of the discount and expense on bonds in process of amortization		
	<u>\$ 65,327.28</u>	<u>\$ 52,417.92</u>
Total Assets	<u><u>\$20,222,977.49</u></u>	<u><u>\$17,577,095.12</u></u>

NOTE A—Telephone plant in service is stated at amounts fixed by The Public Utilities Commission of Ohio with respect to acquisitions from other companies, and other additions are included at cost as of dates of installation.

COMPANY-BELLEVUE, OHIO

September 30, 1952, and December 31, 1951

LIABILITIES

	Dec. 31, 1952	Dec. 31, 1951
Capital Stock		
Preferred Stock, \$100.00 par value:		
5% Class A Preferred Stock (redeemable at \$110.00 per share):		
Authorized 12,000 shares; issued and outstanding 12,000 shares	\$ 1,200,000.00	\$ 1,200,000.00
5% Class B Preferred Stock (redeemable at \$105.00 per share):		
Authorized 16,000 shares; issued and outstanding 11,794 shares	1,179,400.00	118,000.00
4½% Preferred Stock (redeemable at \$105.00 per share):		
Authorized 30,000 shares; issued and outstanding 20,000 shares	2,000,000.00	2,000,000.00
4¼% Preferred Stock (redeemable at \$105.00 per share):		
Authorized 12,000 shares; issued and outstanding 12,000 shares	1,200,000.00	1,200,000.00
Common Stock, without par value:		
Authorized 300,000 shares; issued and outstanding 213,000 shares	2,130,000.00	2,130,000.00
Premium on Capital Stock	23,685.00	23,685.00
Installments Paid on Capital Stock	1,997.50	1,511.00
	<u>\$ 7,735,082.50</u>	<u>\$ 6,673,196.00</u>
Funded Debt		
First Mortgage Bonds, authorized \$15,000,000.00, less \$48,000.00 redeemed through operation of sinking fund, issuable in series—Note B:		
3½% Series, due November 1, 1982.	\$ 1,800,000.00	\$ —0—
3¼% Series, due August 1, 1965	2,752,000.00	2,752,000.00
2⅞% Series, due November 1, 1980.	1,600,000.00	1,600,000.00
	<u>\$ 6,152,000.00</u>	<u>\$ 4,352,000.00</u>
Current and Accrued Liabilities		
Notes Payable	\$ —0—	\$ 253,678.16
Accounts Payable	406,058.11	605,462.92
Amounts owing for pay rolls, materials, supplies, toll settlements, subscribers' excise taxes, and miscellaneous expenses		
Subscribers' advance billings and payments.	86,906.83	82,997.17
Taxes Accrued	917,815.93	1,004,052.28
Unmatured Interest and Dividends	162,997.57	139,229.96
	<u>\$ 1,573,778.44</u>	<u>\$ 2,085,420.49</u>
Depreciation Reserve	<u>2,552,793.35</u>	<u>2,419,153.78</u>
Surplus—Note C	<u>2,209,323.20</u>	<u>2,047,324.85</u>
Total Liabilities	<u>\$20,222,977.49</u>	<u>\$17,577,095.12</u>

NOTE B—Secured by first mortgage on all telephone plant now owned or hereafter acquired. The Company covenants, while any of such bonds are outstanding, to provide a sinking fund by annual payment to the trustee, in cash or securities, of an amount equal to one per cent of the aggregate principal amount of bonds issued. The Company has the right to substitute 60 per cent of cost or fair value of permanent additions against which additional bonds have not been issued in lieu of cash or securities to meet sinking fund requirements. Sinking fund requirements have been complied with.

Northern Ohio Telephone Company - Bellevue, Ohio

Comparative Statement of Income-Years Ended December 31, 1952, and December 31, 1951

	Dec. 31, 1952	Dec. 31, 1951
Operating Revenues		
LOCAL SERVICE REVENUES	\$2,603,991.29	\$2,451,360.34
TOLL SERVICE REVENUES	1,666,401.60	1,555,732.72
DIRECTORY ADVERTISING AND SALES	171,183.50	142,474.08
MISCELLANEOUS REVENUES	37,796.64	39,266.61
Revenues from rentals, private lines and miscellaneous services		
LESS PROVISION FOR UNCOLLECTIBLE REVENUES. . .	12,000.00 *	12,798.36 *
Total Operating Revenues	\$4,467,373.03	\$4,176,035.39
Operating Expenses		
CURRENT MAINTENANCE	\$ 736,850.85	\$ 594,138.66
Cost of repairs, inspections and rearrangements required to keep plant and equipment in good operating condition		
DEPRECIATION EXPENSE	567,283.61	496,535.88 ✓
Provision for decrease in value of telephone plant by reason of wear or obsolescence. This is at the rate of approximately 4% of average investment in depreciable plant in service during 1952 and 1951		
TRAFFIC EXPENSES	874,080.78	821,738.74
Operators' wages and other costs in handling messages		
COMMERCIAL EXPENSES	258,478.99	219,421.27
Cost incurred in business relations with customers, advertising, pay station commissions and cost of directories		
GENERAL OFFICE EXPENSES	151,249.89	155,827.81
Cost of preparing subscribers' bills, general accounting, salaries of officers, and legal expenses		
OTHER OPERATING EXPENSES	203,900.16	66,358.60
Pensions, insurance, building and pole rentals and other operating expenses		
Total Operating Expenses	\$2,791,844.28	\$2,354,020.96
Net Operating Revenue	\$1,675,528.75	\$1,822,014.43
Operating Taxes		
Federal Taxes on Income (no excess profits taxes) . .	\$ 624,789.18	\$ 767,503.96
County, State Excise, Social Security and Other Taxes	368,420.86	310,055.24
Total Operating Taxes	\$ 993,210.04	\$1,077,559.20
Net Operating Income	\$ 682,318.71	\$ 744,455.23 ✓
Other Income	1,438.02	7,370.50
Net Income Before Fixed Charges	\$ 683,756.73	\$ 751,825.73
Fixed Charges		
Interest Expense	\$ 158,578.49	\$ 133,219.33
Amortization of Discount on Funded Debt	1,541.32	1,490.64
Total Fixed Charges	\$ 160,119.81	\$ 134,709.97
Net Income	\$ 523,636.92	\$ 617,115.76

* Indicates red figures.

Northern Ohio Telephone Company - Bellevue, Ohio

STATEMENT OF SURPLUS — Year ended December 31, 1952

Balance at January 1, 1952		\$2,047,324.85
Additions:		
Net income for the year	\$523,636.92	
Surplus arising from revaluation of net assets of The Star Telephone Company, acquired as of January 1, 1949, in accordance with amounts fixed by The Public Utilities Commission of Ohio	\$53,823.64	
Less applicable depreciation	23,954.18	29,869.46
Adjustment of prior years' provisions for federal and state taxes	29,495.39	
Sundry credits	3,361.17	586,362.94
		<u>\$2,633,687.79</u>
Deductions:		
Dividends declared or paid:		
On 5% Preferred Stock — \$5.00 per share	\$103,735.71	
On 4½% Preferred Stock — \$4.50 per share	90,006.88	
On 4¼% Preferred Stock — \$4.25 per share	51,000.00	
On Common Stock — \$.80 per share	170,400.00	
	<u>\$415,142.59</u>	
Amortization of organization expense and expenses applicable to prior years	9,222.00	424,364.59
		<u>\$2,209,323.20</u>
Balance at December 31, 1952		<u><u>\$2,209,323.20</u></u>

NOTE C—The Company does not segregate its surplus account on the books between unappropriated surplus and other surplus. The surplus account includes amounts resulting from acquisition of properties which were recorded on the books in excess of cost to conform to amounts fixed by The Public Utilities Commission of Ohio.

Under the terms of the Eighth Supplemental Indenture dated November 1, 1952, to the First Mortgage Trust Deed, surplus amounting to \$348,388.38 is available for payment of cash dividends on common stock.

NOTE D—The Company has adopted a pension plan for its employees. Total contribution under the plan, for the year 1952, amounted to \$97,453.92 including a portion of past service costs. At December 31, 1952, the estimated unfunded portion of past service costs amounted to approximately \$637,000.00.

ERNST & ERNST

Union Commerce Building — Cleveland, Ohio

Board of Directors,
Northern Ohio Telephone Company, Bellevue, Ohio.

We have examined the balance sheet of Northern Ohio Telephone Company as of December 31, 1952, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of Northern Ohio Telephone Company at December 31, 1952, and the results of its operations for the year then ended, in accordance with accounting principles as prescribed by The Public Utilities Commission of Ohio applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio, February 27, 1953

Exchanges of Northern Ohio Telephone Company

<i>Exchange</i>	<i>Telephones Dec. 31, 1952</i>	<i>Exchange</i>	<i>Telephones Dec. 31, 1952</i>
Ashland	7464	Marblehead	538
Ashley	458	McComb	670
Attica	632	Medina	3659
Bellevue	3733	Mifflin	203
Berlin Heights	392	Milan	557
Bowling Green	4076	Monroeville	670
Brunswick	762	Montrose	1696
Burbank	200	New London	1144
Carey	1383	New Washington	534
Cheshire Center	331	North Baltimore	922
Chippewa Lake	291	Norwalk	4813
Clyde	2195	Oak Harbor	1462
Congress	194	Oberlin	2993
Creston	504	Ostrander	300
Crestline	1926	Pemberville	508
Curtice	1337	Plymouth	622
Delaware	5169	Polk	293
Elmore	752	Port Clinton	3412
Galion	4441	Put-In-Bay	219
Genoa	886	Radnor	178
Grafton	508	Red Haw	242
Grand Rapids	529	Savannah	244
Greenwich	662	Seville	567
Haskins	185	Sharon Center	667
Homerville	131	Tontogany	192
Huron	1529	Valley City	360
Kelleys Island	85	Wadsworth	4071
Kilbourne	217	Wakeman	348
Lakeville	136	Wayne	628
Leroy	248	Weston	624
Lodi	958	West Salem	392
Loudonville	1357	Willard	2374

Total Telephones . . 79,773

Type of Service Furnished

	<i>Exchanges</i>	<i>Telephones</i>	<i>Per Cent</i>
Automatic	55	72,725	91.16
Common Battery	6	5,646	7.08
Magneto	3	1,402	1.76
Total	64	79,773	100.00



